



GOV. MSG. NO. 1340

EXECUTIVE CHAMBERS
HONOLULU

DAVID Y. IGE
GOVERNOR

July 6, 2021

The Honorable Ronald D. Kouchi,
President
and Members of the Senate
Thirty First State Legislature
State Capitol, Room 409
Honolulu, Hawai'i 96813

The Honorable Scott K. Saiki,
Speaker and Members of the
House of Representatives
Thirty First State Legislature
State Capitol, Room 431
Honolulu, Hawai'i 96813

Dear President Kouchi, Speaker Saiki, and Members of the Legislature:

This is to inform you that on July 6, 2021, the following bill was signed into law:

SB0628 SD2 HD2 CD1

RELATING TO THE TRANSITION OF THE OAHU
REGIONAL HEALTH CARE SYSTEM FROM THE
HAWAII HEALTH SYSTEMS CORPORATION
INTO THE DEPARTMENT OF HEALTH.
ACT 212 (21)

Sincerely,

DAVID Y. IGE
Governor, State of Hawai'i

A BILL FOR AN ACT

RELATING TO THE TRANSITION OF THE OAHU REGIONAL HEALTH CARE
SYSTEM FROM THE HAWAII HEALTH SYSTEMS CORPORATION INTO THE
DEPARTMENT OF HEALTH.

BE IT ENACTED BY THE LEGISLATURE OF THE STATE OF HAWAII:

1 PART I

2 SECTION 1. The legislature finds that the Hawaii health
3 systems corporation comprises five semi-autonomous health care
4 regions within the State, including east Hawaii, west Hawaii,
5 Kauai, Oahu, and Maui. The Maui region no longer operates any
6 health care facilities.

7 The legislature further finds that the Oahu region is
8 unique and distinguishable from the other regions due to the
9 logistical complexities of the Oahu regional health care system
10 facilities and the limited but crucial nature of the services
11 these facilities, Leahi hospital and Maluhia, currently provide.
12 Because the Oahu facilities almost exclusively serve long-term
13 care and medicaid patients, groups traditionally underserved by
14 private facilities because of the high cost of their care, the
15 Oahu region's long-term care operations are run more as a
16 safety-net social service and, compared to the other regions,
17 have less opportunity for additional revenue generation.



1 While the need for long-term care beds on Oahu has
2 decreased in recent years, a study completed by the department
3 of business, economic development, and tourism has projected
4 that the State's population aged sixty-five and older will grow
5 by one hundred forty-eight per cent over the next
6 twenty-five years. On Oahu, this translates to an estimated
7 shortfall of eleven hundred long-term care beds in the next
8 five to ten years alone. Thus, despite the costs of long-term
9 care, it is vital that state facilities continue to operate to
10 ensure that beds remain available for the State's aging
11 population.

12 Similar to the Oahu region, the department of health
13 operates the Hawaii state hospital, a facility that does not
14 generate revenue but is nonetheless necessary to provide care
15 and treatment for mentally ill patients in Hawaii. In recent
16 years, the Hawaii state hospital has experienced a challenge in
17 providing sufficient bed space for admitted patients. As of
18 September 2019, two hundred twenty patients occupied beds at the
19 Hawaii state hospital--well over the maximum capacity of
20 two hundred two. To meet its needs, the Hawaii state hospital



1 was also required to contract with Kahi Mohala, a privately-run
2 facility, to care for an additional forty-six patients.

3 Beyond its responsibility for the Hawaii state hospital,
4 the department of health has also been charged with addressing
5 the significant gap in the behavioral health care system between
6 acute psychiatric care facilities and low acuity residential
7 treatment. Data collected in the State estimate that more than
8 half of all individuals experiencing a mental health crisis, or
9 fifty-four per cent, have needs that align better with services
10 delivered within a subacute level of care facility rather than
11 an emergency room.

12 The legislature also finds that Act 90, Session Laws of
13 Hawaii 2019, established the involuntary hospitalization task
14 force and Act 263, Session Laws of Hawaii 2019, established a
15 working group to evaluate current behavioral health care and
16 related systems, including existing resources, systems gaps, and
17 identification of action steps that may be taken to improve the
18 overall system of care. The findings from these initiatives
19 highlight the need in Hawaii for a coordinated network of
20 stabilization beds that will allow triage, clinical assessment,
21 and recommendation for the next level of care for those



1 struggling with substance use, mental health conditions, and
2 homelessness.

3 The National Coalition for the Homeless has found that
4 sixty-four per cent of homeless individuals are dependent on
5 alcohol or other substances. In Hawaii, the Oahu homeless point
6 in time count reported that 36.4 per cent of homeless single
7 adults suffer from some type of mental illness. The
8 intersection of homelessness and behavioral health conditions is
9 a crisis in Hawaii, which contributes to Hawaii having the
10 second highest rate of homelessness in the nation.
11 Unfortunately, there is currently no coordinated system of
12 stabilization from the streets that assesses for and links to
13 the next level of clinical care.

14 The legislature additionally finds that the current options
15 for those needing stabilization from challenges related to
16 substance use, mental health conditions, and homelessness are
17 overburdened and inadequate, and emergency facilities throughout
18 the State have experienced substantial increases in psychiatric
19 emergency admissions, resulting in overcrowding and unsafe
20 environments for patients and medical staff.



1 The legislature also finds that comprehensive crisis
2 response and stabilization services are crucial elements of the
3 continuum of care. Reducing unnecessary transportation to
4 emergency departments and appropriately placing individuals in
5 more suitable levels of care will improve outcomes for patients,
6 reduce inpatient hospital stays, and facilitate access to other
7 behavioral health services.

8 Subacute residential stabilization services have been a
9 missing component of a comprehensive behavioral health continuum
10 of care, which would bridge the gap between acute
11 hospitalization and lower-level residential and community
12 resources. Many individuals who are transported to an emergency
13 room or for emergency examination and hospitalization are not
14 acute enough in their illness to warrant psychiatric
15 hospitalization. On the other hand, their symptomology is too
16 acute for them to be admitted to a group home, shelter, or other
17 existing low acuity residential program or, if they are
18 admitted, they are often unsuccessful in those environments.
19 More often than not, these individuals fail because they have
20 not had time to stabilize in an environment where they can be
21 closely monitored. This lack of post-acute care contributes to



1 the poor outcomes of both acute behavioral health inpatient and
2 community-based services because many individuals are not
3 appropriate for either level, but fall somewhere in the middle.

4 The legislature further finds that state facilities exist
5 that have underutilized space that could accommodate these
6 services with minimal effort and adjustments and reduce certain
7 burdens and barriers. Therefore, assertive efforts should be
8 undertaken to ensure the availability of these resources and to
9 organize them in a way that is beneficial to the State.

10 Through discussions with the Oahu region, it has been
11 determined that some of the Oahu region's health care
12 facilities, particularly Leahi hospital, are currently
13 underutilized and have the potential to be re-purposed for other
14 important health care and social service needs.

15 The legislature also finds that, while statutorily tied to
16 the Hawaii health systems corporation, the Oahu region operates
17 mostly autonomously and its functions and target population are
18 unique from those of the other regional health care systems. As
19 such, there is little necessity for the Oahu regional health
20 care system to remain a part of the Hawaii health systems
21 corporation. With proper planning and implementation, the Oahu



1 regional health care system could be strategically assimilated
2 into the department of health, and its facilities could be used,
3 in addition to long-term care, to help alleviate the need for
4 subacute residential mental health stabilization and other
5 subacute care services.

6 The purpose of this Act is to:

- 7 (1) Commence the transfer of the Oahu regional health care
8 system in its entirety from the Hawaii health systems
9 corporation to the department of health, to be
10 completed no later than December 31, 2022;
- 11 (2) Enable the Oahu regional health care system,
12 department of health, Hawaii health systems
13 corporation, and other state agencies to implement the
14 processes and transactions required to effectuate the
15 completion of the transition;
- 16 (3) Require the department of health to consult with the
17 University of Hawaii regarding services provided at
18 Leahi hospital and Maluhia, and allow University of
19 Hawaii students to rotate through those facilities for
20 training purposes;



- 1 (4) Authorize the department of health to pay rent to the
2 University of Hawaii for the use of the Leahi hospital
3 property at a rate and on terms to be negotiated
4 between the department of health and the University of
5 Hawaii;
- 6 (5) Clarify the rights, powers, and exemptions held by the
7 Oahu regional health care system during the transition
8 period and the rights, powers, and exemptions held by
9 the inpatient services division of the department of
10 health following completion of the transfer of the
11 Oahu regional health care system;
- 12 (6) Establish a working group to develop, evaluate, and
13 implement the transition plan;
- 14 (7) Appropriate moneys from the mental health and
15 substance abuse special fund to formulate and execute
16 a comprehensive business and transition plan; and
- 17 (8) Appropriate moneys from the funds received by the
18 State of Hawaii from the American Rescue Plan Act of
19 2021, Public Law 117-2 (Section 9901) to transfer the
20 Oahu regional health care system in its entirety from



1 the Hawaii health systems corporation to the
2 department of health.

3 PART II

4 SECTION 2. Section 323F-2, Hawaii Revised Statutes, is
5 amended by amending subsection (b) to read as follows:

6 "(b) The corporate organization shall be divided into
7 [~~five~~] four regional systems, as follows:

8 [~~(1)~~] ~~The Oahu regional health care system,~~

9 ~~(2)~~] (1) The Kauai regional health care system;

10 [~~(3)~~] (2) The Maui regional health care system;

11 [~~(4)~~] (3) The east Hawaii regional health care system,

12 comprising the Puna district, north Hilo district,

13 south Hilo district, Hamakua district, and Kau

14 district; and

15 [~~(5)~~] (4) The west Hawaii regional health care system,

16 comprising the north Kohala district, south Kohala

17 district, north Kona district, and south Kona

18 district;

19 and shall be identified as regional systems I, II, III, and IV,

20 [~~and V,~~] respectively."



SECTION 3. Section 323F-3, Hawaii Revised Statutes, is amended to read as follows:

"§323F-3 Corporation board. (a) The corporation shall be governed by ~~[an eighteen-member]~~ a fifteen-member board of directors that shall carry out the duties and responsibilities of the corporation other than those duties and responsibilities relating to the establishment of any captive insurance company pursuant to section 323F-7(c)(20) and the operation thereof.

(b) The members of the corporation board shall be appointed as follows:

- (1) The director of health as an ex officio, voting member;
- (2) The ~~[five]~~ four regional chief executive officers as ex officio, nonvoting members;
- (3) Three members who reside in the county of Maui, two of whom shall be appointed by the Maui regional system board and one of whom shall be appointed by the governor, all of whom shall serve as voting members;
- (4) Two members who reside in the eastern section of the county of Hawaii, one of whom shall be appointed by the East Hawaii regional system board and one of whom



1 shall be appointed by the governor, both of whom shall
2 serve as voting members;

3 (5) Two members who reside in the western section of the
4 county of Hawaii, one of whom shall be appointed by
5 the West Hawaii regional system board and one of whom
6 shall be appointed by the governor, both of whom shall
7 serve as voting members;

8 (6) Two members who reside on the island of Kauai, one of
9 whom shall be appointed by the Kauai regional system
10 board and one of whom shall be appointed by the
11 governor, both of whom shall serve as voting members;

12 ~~[(7) Two members who reside on the island of Oahu, one of~~
13 ~~whom shall be appointed by the Oahu regional system~~
14 ~~board and one of whom shall be appointed by the~~
15 ~~governor, both of whom shall serve as voting members,]~~

16 and

17 ~~[(8)]~~ (7) One member who shall be appointed by the governor
18 and serve as an at-large voting member.

19 The appointed board members who reside in the county of
20 Maui, eastern section of the county of Hawaii, western section
21 of the county of Hawaii, and on the island of Kauai~~[, and on the~~



1 ~~island of Oahu]~~ shall each serve for a term of four years;
2 provided that the terms of the initial appointments of the
3 members who are appointed by their respective regional system
4 boards shall be as follows: one of the initial members from the
5 county of Maui shall be appointed to serve a term of two years
6 and the other member shall be appointed to serve a term of
7 four years; the initial member from East Hawaii shall be
8 appointed to serve a term of two years; the initial member from
9 West Hawaii shall be appointed to serve a term of four years;
10 and the initial member from the island of Kauai shall be
11 appointed to serve a term of two years; ~~[and the initial member~~
12 ~~from the island of Oahu shall be appointed to serve a term of~~
13 ~~four years;]~~ and provided further that the terms of the initial
14 appointments of the members who are appointed by the governor
15 shall be four years. The at-large member appointed by the
16 governor shall serve a term of two years.

17 Any vacancy shall be filled in the same manner provided for
18 the original appointments. The corporation board shall elect
19 its own chair from among its members. Appointments to the
20 corporation board shall be as representative as possible of the
21 system's stakeholders as outlined in this subsection. The board



1 member appointments shall strive to create a board that includes
2 expertise in the fields of medicine, finance, health care
3 administration, government affairs, human resources, and law.

4 (c) The selection, appointment, and confirmation of any
5 nominee shall be based on ensuring that board members have
6 diverse and beneficial perspectives and experiences and that
7 they include, to the extent possible, representatives of the
8 medical, business, management, law, finance, and health sectors,
9 and patients or consumers. Members of the board shall serve
10 without compensation but may be reimbursed for actual expenses,
11 including travel expenses, incurred in the performance of their
12 duties.

13 (d) Any member of the board may be removed for cause by
14 vote of a two-thirds majority of the board's members then in
15 office. For purposes of this section, cause shall include
16 without limitation:

- 17 (1) Malfeasance in office;
18 (2) Failure to attend regularly called meetings;
19 (3) Sentencing for conviction of a felony, to the extent
20 allowed by section 831-2; or



(4) Any other cause that may render a member incapable or unfit to discharge the duties required under this chapter.

Filing nomination papers for elective office or appointment to elective office, or conviction of a felony consistent with section 831-3.1, shall automatically and immediately disqualify a board member from office.

(e) Upon completion of the transition of the Oahu regional health care system into the department of health, the corporation board shall have no legal relationship with the Oahu regional health care system or its facilities."

PART III

SECTION 4. Section 323F-7.6, Hawaii Revised Statutes, is amended to read as follows:

"~~[§]~~ §323F-7.6~~[§]~~ **Transition of Hawaii health systems regional system or health facility to a new entity.** (a) Notwithstanding any other law to the contrary, including but not limited to section 27-1 and chapter 171, any of the regional systems or individual facilities of the Hawaii health systems corporation is hereby authorized to transition into a new legal



1 entity in any form recognized under the laws of the State,
2 including but not limited to:

- 3 (1) A nonprofit corporation;
- 4 (2) A for-profit corporation;
- 5 (3) A municipal facility;
- 6 (4) A public benefit corporation; ~~[ex]~~
- 7 (5) A division or branch under a state executive
8 department; or

9 ~~[(+5)]~~ (6) Any two or more of the entities in paragraphs (1)
10 through ~~[(+4)]~~ (5).

11 A transition shall occur through the sale, lease, or transfer of
12 all or substantially all of the assets of the facility or
13 regional system, except for real property, which shall only be
14 transferred by lease~~[-]~~; provided that under a transfer that is
15 effectuated pursuant to paragraph (5), real property shall
16 transfer in its then-existing state, whether in lease, fee, or
17 otherwise, to the department of land and natural resources. Any
18 transition shall comply with chapter 323D.

19 (b) A transition shall only occur upon approval of the
20 appropriate regional system board in the case of a regional
21 system or individual facility transition, or upon approval of



1 the regional system boards and the corporation in the case of
2 the transition of the entire corporation. Any transition shall
3 be subject to legal review by the attorney general, who shall
4 approve the transition if satisfied that the transition conforms
5 to all applicable laws, subject to the review of the director of
6 the department of budget and finance, who shall approve the
7 transition if it conforms to all applicable financing
8 procedures, and subject to the governor's approval. In
9 addition, the transition shall be subject to the following terms
10 and conditions:

- 11 (1) All proceeds from the sale, lease, or transfer of
12 assets shall be used for health care services in the
13 respective regional system or facility, except that
14 real property shall only be transferred by lease;
15 provided that under a transfer that is effectuated
16 pursuant to subsection (a)(5), real property shall
17 transfer in its then-existing state, whether in lease,
18 fee, or otherwise, to the department of land and
19 natural resources;
- 20 (2) Any and all liabilities of a regional system or
21 facility transitioning into a new entity that were



1 transferred to the Hawaii health systems corporation
2 upon its creation by Act 262, Session Laws of
3 Hawaii 1996, and all liabilities of the regional
4 system or facility related to collective bargaining
5 contracts negotiated by the State, shall become the
6 responsibility of the State; and

7 (3) During the period of transition:

8 (A) The State shall continue to fund the provision of
9 health care services provided for by the regional
10 system or individual facility; and

11 (B) All applicable provisions of this chapter shall
12 continue to apply.

13 Upon the completion of the transition of all the facilities
14 in a regional system to a new entity, the regional system board
15 for that regional system shall terminate; provided that if not
16 all of a regional system's facilities are transitioned to a new
17 entity, the existing regional system board shall not terminate
18 but shall continue to retain jurisdiction over those facilities
19 remaining in the regional system."

20 PART IV



SECTION 5. Chapter 321, Hawaii Revised Statutes, is amended by adding a new part to be appropriately designated and to read as follows:

"PART . LEAHI HOSPITAL AND MALUHIA

§321- Authority of the department of health. The department of health may:

- (1) Conduct long-term care and substance abuse treatment at Leahi hospital and Maluhia;
- (2) Pay rent to the University of Hawaii for the use of the Leahi hospital property, at a rate and on terms to be negotiated between the department of health and the University of Hawaii;
- (3) Use moneys from the mental health and substance abuse special fund established pursuant to section 334-15 to fund the department's operations at Leahi hospital and Maluhia;
- (4) Develop and implement its own policies, procedures, and rules necessary or appropriate to plan, operate, manage, and control Leahi hospital and Maluhia without regard to chapter 91;



1 (5) Enter into and perform any contract, lease,
2 cooperative agreement, partnership, or other
3 transaction whatsoever that may be necessary or
4 appropriate in the performance of its purposes and
5 responsibilities, and on any terms the department may
6 deem appropriate with either:

7 (A) Any agency or instrumentality of the United
8 States, or with any state, territory, possession,
9 or subdivision thereof; or

10 (B) Any person, firm, association, partnership, or
11 corporation, whether operated on a for-profit or
12 not-for-profit basis; provided that the
13 transaction furthers the public interest;

14 (6) Conduct activities and enter into business
15 relationships the department deems necessary or
16 appropriate, including but not limited to:

17 (A) Creating nonprofit corporations, including but
18 not limited to charitable fundraising
19 foundations, to be controlled wholly by the
20 department or jointly with others; and



1 (B) Entering into partnerships and other joint
2 venture arrangements, or participating in
3 alliances, purchasing consortia, health insurance
4 pools, or other cooperative agreements with any
5 public or private entity; provided that any
6 corporation, venture, or relationship entered
7 into under this section shall further the public
8 interest;

9 (7) Make and alter facility bylaws and rules for the
10 organization and management of Leahi hospital and
11 Maluhia without regard to chapter 91;

12 (8) Contract for and accept any gifts, grants, and loans
13 of funds or property, or any other aid in any form
14 from the federal government, the State, any state
15 agency, or any other source, or any combination
16 thereof, in compliance with the terms and conditions
17 thereof;

18 (9) Provide health and medical services to the public
19 directly or by agreement or lease with any person,
20 firm, or private or public corporation, partnership,



1 or association through or in Leahi hospital and
2 Maluhia or otherwise; and

3 (10) Approve medical staff bylaws, rules, and medical staff
4 appointments and reappointments for Leahi hospital and
5 Maluhia, including but not limited to determining the
6 conditions under which a health professional may be
7 extended the privilege of practicing within Leahi
8 hospital or Maluhia, as determined by the department
9 or facility management, and adopting and implementing
10 reasonable rules, without regard to chapter 91, for
11 the credentialing and peer review of all persons and
12 health professionals within the facility; provided
13 that the department or facility management shall be
14 the governing body responsible for all medical staff
15 organization, peer review, and credentialing
16 activities to the extent allowed by law.

17 §321- Consultation with the University of Hawaii
18 required. The department of health shall regularly consult with
19 the University of Hawaii regarding services provided at Leahi
20 hospital and Maluhia. The department may coordinate with the
21 University of Hawaii to allow university students to rotate



1 through the facilities for training purposes and may take any
2 action necessary or proper to effectuate this purpose.

3 **§321- Reduction or elimination of direct patient care**
4 **services.** (a) No planned substantial reduction or elimination
5 of direct patient care services at Leahi hospital or Maluhia
6 shall be undertaken unless all of the following requirements are
7 met:

8 (1) An initial determination is made by the department as
9 to critical and emergency services, which shall not be
10 subject to reduction or elimination pursuant to this
11 section;

12 (2) The plan of the facility to substantially reduce or
13 eliminate any direct patient care services at Leahi
14 hospital or Maluhia shall first be presented to the
15 director of health for approval;

16 (3) Subsequent to the requisite director approval, the
17 department shall present the plan to the community in
18 which the facility is located at a community
19 informational meeting, in order to obtain community
20 input on the plan; and



1 (4) After the community informational meeting, but at
2 least twenty days prior to the implementation of the
3 approved plan, the director shall give notice of the
4 implementation of the plan to the governor, president
5 of the senate, and speaker of the house of
6 representatives.

7 (b) Upon meeting the requirements of subsection (a), the
8 approved plan shall be implemented unless legislation has been
9 enacted that:

10 (1) Requires the reinstatement and continuation of direct
11 patient care services that are subject to reduction or
12 elimination under the plan; and

13 (2) Includes an appropriation of additional moneys
14 sufficient to adequately fund the mandated
15 reinstatement and continuation of the direct patient
16 care services that are subject to reduction or
17 elimination under the plan."

18 PART V

19 SECTION 6. (a) The budget of the Oahu regional health
20 care system shall be transferred from the Hawaii health systems
21 corporation to the department of health; provided that:



1 (1) The Oahu regional health care system's budget codes
2 and all related allocated funds of the Oahu region
3 shall be reflected in the state budget and all other
4 related tables; and

5 (2) The organizational structure of the Oahu regional
6 health care system shall remain unchanged, unless
7 modified and approved by the working group established
8 pursuant to section 9 of this Act, and as approved by
9 the conditions established in this part or as required
10 by law.

11 (b) The transfer of positions and respective class
12 specifications of the Oahu region from the Hawaii health systems
13 corporation's personnel system to the department of health, as
14 set forth in a transition document submitted by the working
15 group established pursuant to section 9 of this Act no later
16 than twenty days prior to the convening of the regular session
17 of 2022, shall be completed no later than December 31, 2022,
18 provided that:

19 (1) All employees of the Oahu region who are employed as
20 of December 31, 2022, shall be transferred to the
21 department of health before the transition of the Oahu



1 regional health care system into the department of
2 health is complete;

- 3 (2) All employees of the Oahu region who occupy civil
4 service positions shall be transferred to the
5 department of health by this Act and retain their
6 civil service status, whether permanent or temporary,
7 and shall maintain their respective functions as
8 reflected in their current position descriptions
9 during the transition period; provided that any
10 changes determined necessary by the working group
11 established pursuant to section 9 of this Act shall
12 follow standard union consultation process prior to
13 implementation;
- 14 (3) Employees shall be transferred without loss of salary;
15 seniority, except as prescribed by applicable
16 collective bargaining agreements; retention points;
17 prior service credit; any vacation and sick leave
18 credits previously earned; and other rights, benefits,
19 and privileges, in accordance with state employment
20 laws;



- 1 (4) The personnel structure of the Oahu regional health
2 care system shall remain unchanged, unless modified
3 and approved by the working group and as approved by
4 the conditions established pursuant to this Act;
- 5 (5) Any employee who, prior to this Act, is exempt from
6 civil service or collective bargaining and is
7 transferred as a consequence of this Act shall be
8 transferred without loss of salary and shall not
9 suffer any loss of prior service credit, contractual
10 rights, vacation or sick leave credits previously
11 earned, or other employee benefits or privileges, and,
12 except in the instance of discipline, shall be
13 entitled to remain employed in the employee's current
14 position for a period of no less than one year after
15 the transition of the Oahu regional health care system
16 into the department of health is complete;
- 17 (6) The wages, hours, and other conditions of employment
18 shall be negotiated or consulted, as applicable, with
19 the respective exclusive representative of the
20 affected employees, in accordance with chapter 89,
21 Hawaii Revised Statutes; and



1 (7) The rights, benefits, and privileges currently enjoyed
2 by employees, including those rights, benefits, and
3 privileges under chapters 76, 78, 87A, 88, and 89,
4 Hawaii Revised Statutes, shall not be impaired or
5 diminished as a result of these employees being
6 transitioned to the department of health pursuant to
7 this Act. The transition to the department of health
8 shall not result in any break in service for the
9 affected employees. The rights, benefits, and
10 privileges currently enjoyed by employees shall be
11 maintained under their existing collective bargaining
12 or other agreements and any successor agreement.

13 PART VI

14 SECTION 7. (a) The Oahu regional board shall, through the
15 Oahu regional board chair, facilitate the transition of the Oahu
16 region into the department of health as part of the working
17 group established pursuant to section 9 of this Act and
18 effectuate the assignment of all contracts and agreements in
19 which the Oahu region is a party to the department of health.



(b) Notwithstanding any law to the contrary, the terms of the following members of the board of directors of the Hawaii health systems corporation shall expire on December 31, 2022:

(1) The regional chief executive officer of the Oahu regional health care system; and

(2) The two board members residing on the island of Oahu appointed pursuant to section 323F-3(b)(7), Hawaii Revised Statutes.

SECTION 8. (a) During the transition planning period commencing on July 1, 2021, to and including the completion of the transition of the Oahu regional health care system into the department of health no later than December 31, 2022, the Oahu regional system board may:

(1) Develop and implement its own policies, procedures, and rules necessary or appropriate to plan, operate, manage, and control its facilities without regard to chapter 91, Hawaii Revised Statutes;

(2) Enter into and perform any contract, lease, cooperative agreement, partnership, or other transaction whatsoever that may be necessary or appropriate in the performance of its purposes and



responsibilities, and on any terms the regional system board may deem appropriate with either:

(A) Any agency or instrumentality of the United States, or with any state, territory, possession, or subdivision thereof; or

(B) Any person, firm, association, partnership, or corporation, whether operated on a for-profit or not-for-profit basis; provided that the transaction furthers the public interest;

(3) Conduct activities and enter into business relationships the regional system board deems necessary or appropriate, including but not limited to:

(A) Creating nonprofit corporations, including but not limited to charitable fundraising foundations, to be controlled wholly by the regional system board or jointly with others;

(B) Establishing, subscribing to, and owning stock in business corporations individually or jointly with others; and



1 (C) Entering into partnerships and other joint
2 venture arrangements, or participating in
3 alliances, purchasing consortia, health insurance
4 pools, or other cooperative agreements, with any
5 public or private entity; provided that any
6 corporation, venture, or relationship entered
7 into under this subsection shall further the
8 public interest;

9 (4) Execute, in accordance with all applicable bylaws,
10 rules, and laws, all instruments necessary or
11 appropriate in the exercise of any powers of the
12 regional system board;

13 (5) Make and alter regional system board bylaws and rules
14 for its organization and management without regard to
15 chapter 91, Hawaii Revised Statutes;

16 (6) Enter into any contract or agreement whatsoever, not
17 inconsistent with the laws of the State, execute all
18 instruments, and do all things necessary or
19 appropriate in the exercise of the powers granted
20 under chapter 323F, Hawaii Revised Statutes, including
21 securing the payment of bonds; provided that contracts



1 or agreements executed by the regional system board
2 shall only encumber the regional subaccounts of the
3 regional system board;

4 (7) Own, purchase, lease, exchange, or otherwise acquire
5 property, whether real, personal, or mixed, tangible
6 or intangible, and any interest therein, in the name
7 of the regional system board; provided that the
8 regional system board shall be subject to the
9 requirements of section 323F-3.5, Hawaii Revised
10 Statutes;

11 (8) Contract for and accept any gifts, grants, and loans
12 of funds or property, or any other aid in any form
13 from the federal government, the State, any state
14 agency, or any other source, or any combination
15 thereof, in compliance, subject to chapter 323F,
16 Hawaii Revised Statutes, with the terms and conditions
17 thereof; provided that the regional system board shall
18 be responsible for contracting for and accepting any
19 gifts, grants, loans, property, or other aid if
20 intended to exclusively benefit the Oahu region public
21 health facilities and operations;



1 (9) Provide health and medical services to the public
2 directly or by agreement or lease with any person,
3 firm, or private or public corporation, partnership,
4 or association through or in the health facilities of
5 the regional system board or otherwise; provided that
6 the regional system board shall be responsible for
7 conducting the activities under this paragraph solely
8 within the Oahu regional system;

9 (10) Approve medical staff bylaws, rules, and medical staff
10 appointments and reappointments for all public health
11 facilities of the regional system board, including but
12 not limited to determining the conditions under which
13 a health professional may be extended the privilege of
14 practicing within a health facility, as determined by
15 the regional system board, and adopting and
16 implementing reasonable rules, without regard to
17 chapter 91, Hawaii Revised Statutes, for the
18 credentialing and peer review of all persons and
19 health professionals within the facility; provided
20 that the regional system board shall be the governing
21 body responsible for all medical staff organization,



1 peer review, and credentialing activities to the
2 extent allowed by law;

3 (11) Enter into any agreement with the State, including but
4 not limited to contracts for the provision of goods,
5 services, and facilities for the support of the
6 regional system board's programs, and contracting for
7 the provision of services to or on behalf of the
8 State;

9 (12) Develop internal policies and procedures for the
10 procurement of goods and services, consistent with the
11 goals of public accountability and public procurement
12 practices, and subject to management and financial
13 legislative audits; provided that the regional system
14 board shall enjoy the exemptions under
15 section 103-53(e) and chapter 103D, Hawaii Revised
16 Statutes;

17 (13) Authorize, establish, and abolish positions; and

18 (14) Employ or retain any attorney, by contract or
19 otherwise, for the purpose of representing the
20 regional system board in any litigation, rendering



1 legal counsel, or drafting legal documents for the
2 regional system board.

3 (b) During the transition period commencing on July 1,
4 2021, to and including the completion of the transition of the
5 Oahu regional health care system into the department of health
6 no later than December 31, 2022, the Oahu regional system board
7 shall continue to enjoy the same sovereign immunity available to
8 the State.

9 (c) During the transition period commencing on July 1,
10 2021, to and including the completion of the transition of the
11 Oahu regional health care system into the department of health
12 no later than December 31, 2022, the Oahu regional system board
13 shall be exempt from chapters 36, 37, 38, 40, 41D, 103D, 103F,
14 part I of chapter 92, and section 102-2, Hawaii Revised
15 Statutes.

16 PART VII

17 SECTION 9. (a) There is established a working group of
18 the Oahu regional health care system and department of health to
19 develop, evaluate, and implement any additional steps necessary
20 to complete the transition of the Oahu regional health care
21 system into the department of health.



1 (b) The working group shall consist of the following
2 members:

3 (1) The director of health or the director's designee, who
4 shall serve as co-chair and who, along with the chair
5 of the Oahu regional system board or the chair's
6 designee, shall have final authority over transfer
7 activities to be implemented by the working group;

8 (2) The chair of the Oahu regional system board or the
9 chair's designee, who shall serve as co-chair and who,
10 along with the director of health or the director's
11 designee, shall have final authority over transfer
12 activities to be implemented by the working group;

13 (3) The chief executive officer of the Oahu regional
14 health care system or the chief executive officer's
15 designee;

16 (4) One or more department of health staff members as
17 deemed necessary by the director of health or the
18 director's designee; and

19 (5) One or more Oahu regional health care system staff
20 members as deemed necessary by the chief executive



1 officer of the Oahu regional health care system or the
2 chief executive officer's designee.

3 (c) In addition, the working group shall include the
4 following members who shall serve in a consultative capacity:

5 (1) One representative from the behavioral health
6 administration of the department of health;

7 (2) One representative from the department of human
8 resources development;

9 (3) One representative from the department of accounting
10 and general services;

11 (4) One representative from the department of the attorney
12 general;

13 (5) One representative from the department of budget and
14 finance;

15 (6) One representative from the office of planning;

16 (7) The chair of the Hawaii health systems corporation
17 board or the chair's designee;

18 (8) One representative from the Hawaii health systems
19 corporation human resources department;

20 (9) One representative from the Hawaii health systems
21 corporation finance department;



1 (10) One representative from the state procurement office;

2 (11) One representative from the Hawaii Government

3 Employees Association, who shall be invited to
4 participate;

5 (12) One representative from the United Public Workers, who
6 shall be invited to participate;

7 (13) Community representatives as recommended and invited
8 by the co-chairs; and

9 (14) Others as recommended and invited by the co-chairs.

10 (d) In carrying out its purpose, the working group shall
11 develop a comprehensive business plan and transfer framework to
12 govern and manage the additional steps necessary to complete the
13 transfer of the Oahu region into the department of health. The
14 comprehensive business plan and transfer framework shall include
15 but not be limited to the following:

16 (1) Preparation of a five-year pro forma operating plan
17 and budget for the continuing operations of Leahi
18 hospital and Maluhia;

19 (2) Preparation of a ten-year pro forma capital
20 improvement plan and budget for the continuing
21 operations of Leahi hospital and Maluhia;



- 1 (3) Identification and preparation of proposed legislation
2 to address any matters not covered by this Act that
3 may be necessary to complete the transfer of the Oahu
4 regional health care system into the department of
5 health;
- 6 (4) Identification of all real property, appropriations,
7 records, equipment, machines, files, supplies,
8 contracts, books, papers, documents, maps, and other
9 property made, used, acquired, or held by the Oahu
10 regional health care system to effectuate the transfer
11 of the same to the department of health;
- 12 (5) Identification of all debts and other liabilities that
13 will remain with the Hawaii health systems corporation
14 and the remaining debts and liabilities to be
15 transferred to the department of health;
- 16 (6) Identification of all contractual arrangements and
17 obligations of the Oahu regional health care system,
18 including but not limited to those related to personal
19 service contracts, vendor contracts, and capital
20 improvement projects;



1 (7) Development and implementation of any and all policies
2 and procedures necessary to ensure that the facilities
3 within the Oahu regional health care system remain
4 compliant with all federal, state, and local laws and
5 regulations; and

6 (8) Development and implementation of procedures to
7 extricate the Oahu regional health care system from
8 system-wide services secured or provided by the Hawaii
9 health systems corporation or enable the Oahu region
10 to continue to utilize those services on a temporary
11 or permanent basis through interagency agreement.

12 (e) Members of the working group shall serve without
13 compensation but shall be reimbursed for reasonable expenses
14 necessary for the performance of their duties, including travel
15 expenses. No member of the working group shall be subject to
16 chapter 84, Hawaii Revised Statutes, solely because of the
17 member's participation in the working group.

18 (f) The working group shall submit a report to the
19 legislature no later than twenty days prior to the convening of
20 the regular session of 2022 that shall include the five-year pro
21 forma operating and budget plan, ten-year pro forma capital



1 improvement plan, proposed legislation to address any matters
2 not covered by this Act that may be necessary to complete the
3 transfer of the Oahu regional health care system into the
4 department of health, and a timeline of major milestones
5 necessary to effectuate the transfer of personnel, assets,
6 liabilities, and contracts needed to complete the transfer
7 pursuant to this Act. The report shall also document the
8 completion of the transfer and dissolution of the Oahu regional
9 health care system.

10 (g) The working group shall be dissolved on December 31,
11 2022, or upon completion of the transition of the Oahu regional
12 health care system into the department of health, whichever is
13 first.

14 SECTION 10. All transition actions shall be subject to the
15 following conditions:

16 (1) The attorney general shall approve the legality and
17 form of any material transition actions created by the
18 working group prior to implementation; the director of
19 finance shall evaluate and approve any expenditure of
20 public funds determined to be in accordance with the
21 budget laws and controls in force; the director of



1 human resources development and comptroller shall
2 approve the transition of employee positions and
3 payroll in accordance with all applicable laws, rules,
4 policies and procedures; and the director of
5 accounting and general services shall approve
6 transition actions in accordance with all applicable
7 laws, rules, policies, and procedures; and
8 (2) Liabilities of the Oahu regional health care system
9 that were transferred to the Hawaii health systems
10 corporation upon its creation by Act 262, Session Laws
11 of Hawaii 1996, or to the Oahu regional health care
12 system upon its establishment by Act 290, Session Laws
13 of Hawaii 2007, and all other contractual liabilities
14 of the Oahu regional health care system, including
15 those related to collective bargaining contracts
16 negotiated by the State in existence at the time they
17 are transferred to the department of health, shall
18 become the responsibility of the State.

19 PART VIII

20 SECTION 11. There is appropriated out of the mental health
21 and substance abuse special fund the sum of \$200,000 or so much



1 thereof as may be necessary for fiscal year 2021-2022 for the
2 formulation of a comprehensive business plan and transfer
3 framework for the transfer of Leahi hospital and Maluhia to the
4 department of health.

5 The sum appropriated shall be expended by the department of
6 health for the purposes of this part.

7 SECTION 12. There is appropriated out of the funds
8 received by the State of Hawaii from the American Rescue Plan
9 Act of 2021, Public Law 117-2 (Section 9901) the sum of
10 \$16,320,700 or so much thereof as may be necessary for fiscal
11 year 2021-2022 for the transfer of the Oahu regional health care
12 system in its entirety from the Hawaii health systems
13 corporation to the department of health.

14 The sum appropriated shall be expended by the department of
15 health for the purposes of this Act.

16 PART IX

17 SECTION 13. Statutory material to be repealed is bracketed
18 and stricken. New statutory material is underscored.

19 SECTION 14. This Act shall take effect on July 1, 2021;
20 provided that part II of this Act shall take effect on
21 December 31, 2022.

S.B. NO. 628
S.D. 2
H.D. 2
C.D. 1

APPROVED this 06 day of JUL, 2021

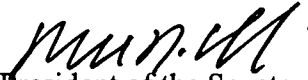
A handwritten signature in black ink, appearing to read "David Y. Ige". The signature is fluid and cursive, with a large, stylized "Y" and a long, sweeping underline.


GOVERNOR OF THE STATE OF HAWAII

THE SENATE OF THE STATE OF HAWAI‘I

Date: April 27, 2021
Honolulu, Hawaii 96813

We hereby certify that the foregoing Bill this day passed Final Reading in the Senate
of the Thirty-First Legislature of the State of Hawai‘i, Regular Session of 2021.


President of the Senate


Clerk of the Senate

SB No. 628, SD 2, HD 2, CD 1

THE HOUSE OF REPRESENTATIVES OF THE STATE OF HAWAII

Date: April 27, 2021
Honolulu, Hawaii

We hereby certify that the above-referenced Bill on this day passed Final Reading in the House of Representatives of the Thirty-First Legislature of the State of Hawaii, Regular Session of 2021.



Scott K. Saiki
Speaker
House of Representatives



Brian L. Takeshita
Chief Clerk
House of Representatives